



**INVITATION FOR OFFER – UNRESTRICTED RIK CRUDE OIL SALE**  
**IFO No. M07PX14931**  
**Deliveries beginning April 1, 2007**

**Introduction**

The Minerals Management Service (MMS) of the U.S. Department of the Interior is soliciting offers from pre-qualified companies to buy royalty oil and condensate produced from certain Federal leases in the Gulf of Mexico and Pacific Outer Continental Shelf.

This Invitation for Offer (IFO) is for a sales term beginning April 1, 2007 (see "Term" for more information). Buyers will take custody of the royalty oil at the applicable custody transfer point as shown in Exhibit A and are responsible for moving the royalty oil downstream of this point.

**Offers must be made in writing and submitted to Maggie Miller via facsimile (303-231-3846) or email (maggie.miller@mms.gov) by 10:00 am MST on February 6, 2007.** The MMS will confirm receipt of all offers. **Royalty oil packages will be awarded by 2:00 pm MST on February 8, 2007.** Please call the contacts below for additional information:

- Jim Steward for technical questions at 303-231-3715
- Maggie Miller for contracting questions at 303-231-3932
- Larry Cobb for pre-qualification or credit questions at 303-231-3307

**Offers**

Offerors must be pre-qualified to submit offers. Please see the "Pre-qualification and Credit Requirements" section for more information. The MMS reserves the right to reject any offer received.

Exhibit A identifies 25 packages of royalty oil. Exhibit B provides further detail on Facility Measurement Point (FMP) operators, pipelines, and custody transfer points. Data in the exhibits is not warranted and offerors are expected to contact the appropriate parties for the most recent information. The royalty volumes shown for each custody transfer point represent the most recent production data available for properties behind the custody transfer point. Other pertinent information such as leases/agreements, operators, and royalty rates will be provided to the buyer upon award.

Exhibit A is the offer sheet to be completed and emailed or faxed. Offers must be to the nearest \$0.0001. The MMS prefers no more than one award for each package. However, MMS may consider offers on only part of a royalty oil package if favorable to the Government.

For hurricane surcharges, offerors should follow standard industry practice and include the surcharge(s) in their offer.

For all **HLS** packages, buyers will be responsible for the Empire exit fee (also known as outbound terminal or pump out fee) and reconsignment fee, when applicable. These fees should not be included in your offers.

Offers on package 7 (GC 158 A) may be as crude types **Mars** and/or **Poseidon**.

Offers on packages 8 (GB 783 A), 9 (GB 426 A), and 10 (SM 205 ssti) may be for crude types **Bonito** and/or **Eugene Island**. Due to pre-determined monthly volume proration at EI 330/331, if submitting an offer on

Eugene Island Pipeline and/or Bonito Pipeline, offerors must also submit an offer on Auger Pipeline or caveat offer to state where prorated production will flow.

Please see the "Quality" section for more information on how to account for gravity and sulfur in your offer. Royalty oil from new wells on currently producing properties behind the custody transfer points that commence production during the term of this IFO will be automatically added to the volumes awarded under this IFO. Royalty oil from new properties behind the custody transfer points that commence production during the term of this IFO will be added to the volumes awarded under this IFO on a case-by-case basis pursuant to mutual consent of MMS and buyers.

**Gulf of Mexico Pricing Mechanism (Packages 1-24):** Offerors must submit offers as an increment or decrement from either or all of the below pricing formulas. **If you would like to submit an offer based on an alternative pricing formula, please caveat your offer with the alternative pricing formula used and/or call the technical contact listed.**

1. (Calendar NYMEX + Daily Roll) – (Platts WTI – Platts Crude Type)
2. (Calendar NYMEX + Daily Roll) + (Argus Weighted Average Crude Type Differential)

**Pacific Pricing Mechanism (Package 25):** Offerors must submit offers as an increment or decrement from one or both of the following pricing formulas:

1. The arithmetic average of two sets of California posted prices, (a+b)/2, where:
  - a) The calendar month's average of the following Midway Sunset posted prices at 13° API: Chevron Corp., ExxonMobil, Shell Trading, and Union 76
  - b) The calendar month's average of the following Buena Vista posted prices at 26° API: Chevron Corp., ExxonMobil, Shell Trading, and Union 76
2. The calendar month average New York Mercantile Exchange (NYMEX) price at 40° API (see below for definition of calendar NYMEX)

**Pricing Definitions:**

Platts WTI: The arithmetic average of the daily high and low price quotes for WTI Cushing for the Platts Month of Delivery

Platts Crude Type: The arithmetic average of the daily high and low price quotes for crude type for Platts Month of Delivery

Argus Weighted Average Crude Type Differential: The weighted average differential for each crude type published by Argus

Calendar NYMEX: Arithmetic average of the daily settlement price for the "Light Sweet Crude Oil" front month futures contract reported by the New York Mercantile Exchange (NYMEX) during the Physical Month of Delivery (excluding weekends and holidays)

Platts or Argus Month of Delivery: Refers to quotes in Platts Oilgram Price Report or Petroleum Argus Americas Crude Price Report for the period of time from the twenty-sixth day of the month two months prior to the physical month of delivery through the twenty-fifth day of the month one month prior to the Physical Month of Delivery (excluding weekends and holidays)

Physical Month of Delivery: The calendar month when the crude oil is delivered

Daily Roll:  $(X - Y).6667 + (X - Z).3333$ , where:

X = Average of the daily NYMEX settlement price for the prompt month, trading days only, when the Physical Month of Delivery is the prompt month trading on NYMEX

Y = Average of the daily NYMEX settlement price for the second month during the same period, trading days only

Z = Average of the daily NYMEX settlement price for the third month during the same period, trading days only

The MMS may award a contract on the basis of initial offer(s) received without discussions. Accordingly, each initial offer should be submitted on the most favorable terms that the offeror can submit. However, MMS may negotiate with offerors in the event offers of similar or unanticipated values are received. All information about the origin and value of offers received will remain confidential, except as noted below under "Imbalances" with respect to resolving certain extraordinary imbalances.

The MMS shall award a contract resulting from this IFO to the party whose offer, in MMS' judgment, is most advantageous to the Federal Government. The MMS will award to buyers by means of the "MMS Crude Oil Transaction Confirmation." The MMS will attempt to award 100 percent of the volume from a custody transfer point.

### **Term**

For HLS packages 1-6, Eugene Island packages 11-13, Mars package 14, and TXG packages 15-24, delivery of royalty oil begins April 1, 2007, and ends June 30, 2007.

For packages 7-10, delivery of royalty oil begins April 1, 2007, and ends September 30, 2007.

For Pacific package 25, delivery of royalty oil begins April 1, 2007, and ends September 30, 2007 or March 31, 2008 if a 12-month contract is awarded.

### **Quality**

#### **Gulf of Mexico Packages:**

For **HLS** packages 2-5, charges resulting from sulfur treatment at the Plains Terminal in Venice for South Pass West Delta (SPWD) barrels will be reimbursed to the purchaser by MMS. These charges should not be included in the offer.

For all **HLS**, **Eugene Island**, and **Poseidon** packages, quality bank debits/credits should not be included in your offer. Buyers will pass back to MMS all quality bank(s) debits/credits received from the quality bank administrator(s).

For all **Mars** and **Bonito** packages, with the exception of market center delivery banks, quality bank debits/credits should not be included in your offer. Buyers will pass back to MMS all quality bank(s) debits/credits received from the quality bank administrator(s). Market center delivery banks should be included in your offer.

For **TXG** packages 15-24, quality bank debits/credits should not be included in your offer as they will be passed back to the MMS by the operator.

#### **Pacific Package:**

Adjustments for sulfur content are to be included in your offer(s). Buyers will make appropriate quality adjustments to their payment each month to match the actual gravity of the delivered royalty oil by using Shell Trading's California posted price gravity adjustment table applicable to the month of production. If this table changes during the month, the monthly average of the table will be used. This adjustment table applies to all of the allowed offer methods, specifically:

Buyers using pricing formula 1 will adjust their payment by accounting for the difference between the delivered royalty oil and 19.5° API (the average of Midway Sunset's 13° posted gravity and Buena Vista's 26° posted gravity).

Buyers using pricing formula 2 will adjust their payment by accounting for the difference between the delivered royalty oil and 40° API (NYMEX WTI barrel gravity).

Buyers must net any quality bank credits or debits against the monthly charges for purchased oil. The net payment is due to MMS by the 20<sup>th</sup> of the month after receipt. All quality bank data must be accompanied by supporting documentation.

The quality information in the Exhibits represents MMS' most recent data for the custody transfer points in the packages offered. Actual quality during the term of this sale may vary. Data provided by MMS is based on the best information available at the time of IFO publishing and is not warranted.

### **Transporting and Scheduling Royalty Oil**

Buyers are responsible for transporting all royalty oil volumes downstream of the custody transfer point specified in Exhibit A. Buyers must nominate and schedule all volumes awarded through this IFO separately from all other volumes owned or controlled at the custody transfer point where royalty oil is received. When nominating to the pipeline, you are required to indicate that the nomination is for MMS sourced crude oil.

Within 10 calendar days of execution of the "MMS Crude Oil Transaction Confirmation" relative to this IFO, buyers must request in writing to all pipeline companies moving royalty oil, that MMS royalty volumes be itemized separately from non-MMS volumes. In cases where the pipeline companies are unable to break out the MMS volumes on the pipeline statement, you must provide MMS with acceptable third-party data itemizing the MMS volumes delivered or use a pipeline assigned measurement facilitator. Any charges associated with obtaining this third-party data are the responsibility of the buyer.

Buyers will provide MMS with pipeline statements and any third-party documentation within 2 business days after the documents are available to the shipper, no later than the 20<sup>th</sup> day of the month following the month of production. Documentation not received by the due date may be purchased by MMS with the buyer being billed the associated costs.

Buyers, through customary industry practice, will communicate directly with MMS and the FMP operator and will make arrangements to deliver and transfer the royalty oil from the awarded custody transfer point. Buyers, at their expense, will make all necessary arrangements to receive royalty oil at the custody transfer point. Buyers are not responsible for any transportation costs upstream of the custody transfer point.

No later than 5 calendar days before the first day of each month, the MMS will notify buyers of the daily royalty oil volumes anticipated for the following month of production. Buyers understand that any such estimates are not warranties of actual deliveries to be made but are provided to facilitate planning the delivery of royalty oil. This process will continue for each month of the term of this IFO.

The operators of the properties behind the custody transfer points offered in this IFO are instructed to use reasonable efforts, consistent with industry practice, to inform MMS and/or buyers regarding significant changes in royalty oil production levels and production shut-ins.

The buyer shall request to adjust an awarded offer by any increase or decrease in tariff-based transportation costs effective on the date of the tariff change. The MMS will send the buyer written notification confirming such changes.

Exhibit C identifies transportation rates MMS has arranged with Marathon Offshore Pipeline. For royalty oil volumes associated with packages 2-4, 11, and 12a, the buyers, at their discretion, may be designated as MMS' agents for the rates and terms specified in Exhibit C. Offerors must indicate on Exhibit A whether they intend to use these rates.

For package 6, Main Pass Oil Gathering (MPOG) system, offers should be given for flow down both Cypress Pipeline and Delta Pipeline. Selected offerors' payment will be based on maximum flow allowable on Cypress Pipeline and the remaining volume on Delta Pipeline. At the time of issuance of this IFO, flow from MPOG at MP 69 was 51 percent down Cypress Pipeline and 49 percent down Delta Pipeline.

## **Imbalances**

Buyers are granted rights to royalty oil delivered by operators at the custody transfer points indicated in Exhibit A, not actual entitlements due the Federal Government.

The MMS and the operator will jointly monitor imbalances between deliveries and entitlements. Routine imbalances will be resolved by adjusting the volume of royalty oil delivered to buyers in the second month following the month of delivery unless otherwise approved by MMS. The MMS will communicate these adjustments to the buyer regarding the first of month availability of royalty oil.

Property imbalances not remedied within 90 days of the production month will be resolved by mutual agreement between MMS and the operator. The contract price under this IFO may form the basis for resolving certain extraordinary imbalances between MMS and operators.

An example of the rights and responsibilities of operators under RIK oil situations is outlined in MMS' "Dear Operator" letter at <http://www.mrm.mms.gov/RIKweb/RIKOperLts.htm> (see the most current Dear Operator Letter).

The MMS is not responsible for royalty crude oil pipeline imbalances downstream of the custody transfer point.

## **Confidentiality**

Neither MMS or the buyer shall disclose directly or indirectly, without the prior written consent of the other party, the terms of any transaction under this IFO to a third-party (other than the employees, lenders, royalty owners, counsel, accountants and other agents of the party, or prospective purchasers of all or substantially all of a party's assets or of any rights under this Contract, provided such persons shall have agreed to keep such terms confidential) except; (i) to comply with any applicable law, order, regulation, or exchange rule, (ii) to the extent necessary to enforce this Contract, (iii) to the extent necessary to implement any transaction, including any transaction as described above in the section "Transporting and Scheduling Royalty Oil", or (iv) to the extent such information is delivered to such third-party for the sole purpose of calculating a published index.

Each party shall notify the other party of any proceeding of which it is aware which may result in disclosing the terms of any transaction (other than as permitted above) and use reasonable efforts to prevent or limit the disclosure. The existence of this Contract is not subject to this confidentiality obligation. The terms of any transaction hereunder shall be kept confidential by the parties hereto for 1 year from the expiration of the transaction.

## **Pre-qualification and Credit Requirements**

To pre-qualify, offerors are required to sign the MMS base contract "RIK Crude Oil General Terms and Conditions" and provide detailed financial information. Upon pre-qualifying, MMS will issue an amount of unsecured credit based on the creditworthiness of the offeror. In most cases where offerors have submitted their most current financial documentation or such information is available on Edgar Online, no additional information will be required. However, MMS reserves the right to request updated financial information in any situation it deems reasonable and may reissue approved lines of credit. Please be advised that MMS will require a parent guaranty in situations where the company submitting the offer is a different entity than the company that has pre-qualified.

For awards exceeding the amount of unsecured credit issued by MMS, buyers will be required to provide secured financial assurance in the form of an Irrevocable Letter of Credit (ILOC), Bond, or other MMS-acceptable surety instrument 5 business days prior to first receipt of oil under the contract. The financial assurance amount shall be sufficient to cover the value of 60 days of deliveries of the estimated production of all royalty oil awarded, less the amount of unsecured credit issued by the MMS as previously notified. For new surety instruments, the MMS will contact you regarding the calculation of an estimated amount of surety to be provided prior to initial deliveries. For continuing surety instruments, we will contact you regarding

renewal requirements. Failure to provide requested surety may result in cancellation of the award or termination of the contract.

Significant and sustained increases in the value of crude oil during the term of the contract may result in requiring an increase in the amount of financial assurance. Further, should the creditworthiness, financial responsibility, or ability to perform become unsatisfactory to the MMS at any time during the term of this agreement, satisfactory assurance may be required as a condition to further performance under the agreement.

### **Limitation of Liability**

Neither Party shall be liable for indirect, special, or consequential damages.

### **Governing Contract**

This transaction is governed by the MMS base contract "RIK Crude Oil General Terms and Conditions," signed by the offeror and MMS. **By submitting an offer, the offeror agrees to be bound by the terms of its signed MMS base contract and this IFO.** Conflicts between the MMS base contract and the terms of this IFO will be resolved in favor of this IFO.

The MMS will send the buyer a Transaction Confirmation detailing the award packages. Transaction Confirmations not signed and returned within 2 business days of receipt will be deemed binding on behalf of both parties.

### **Paperwork Reduction Act of 1995 (PRA) Statement:**

The OMB Control Number for this IFO is 1010-0119 with an expiration date of February 28, 2009. The PRA (44 U.S.C. 3501 et seq.) requires us to inform you that we collect this information to document fulfillment of royalty obligations on minerals removed from Federal lands. The MMS uses the information to maintain and audit lease accounts. Responses are voluntary (43 U.S.C. 1334). Proprietary information is protected in accordance with standards established by the Federal Oil and Gas Royalty Management Act of 1982 (30 U.S.C. 1733), the Freedom of Information Act (5 U.S.C. 552(1), (4)), and the Department regulations (43 CFR 2). An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB Control Number. Public reporting burden for this form is estimated to average 1 hour per response, including the time for reviewing instructions, gathering and maintaining data, and completing and reviewing the form. Direct comments regarding the burden estimate or any other aspect of this form to the Information Collection Clearance Officer, Minerals Management Service, Mail Stop 4230, 1849 C Street, NW, Washington, DC 20240.

### **3 Exhibits:**

Exhibit A – Offer Sheet

Exhibit B – RIK Custody Transfer Point Detail

Exhibit C – Marathon Offshore Pipeline LLC Incentive Rates

| Offer Pkg | Royalty Oil Type | Gulf Coast Market Center | Custody Transfer Point            | Volume Metered At | Custody Transfer Point Royalty Volume (bbls/day) | Custody Transfer Point API Gravity | Custody Transfer Point Sulfur % | NYMEX + Daily Roll basis @ offshore delivery point (3 Month) | NYMEX + Daily Roll basis @ offshore delivery point (6 Month) | Required: Platts or Argus (indicate P or A) | Accept MMS' Transportation or Buy/Sell (Yes or No) |
|-----------|------------------|--------------------------|-----------------------------------|-------------------|--|------------------------------------|---------------------------------|--|--|---|--|
| 1         | HLS              | Empire                   | SWP 24                            | MC 194            | 485  | 30.0                               | N/A                             |  |  |   |  |
| 2         | HLS              | Empire                   | SP 89 B                           | SP 89 B           | 125  | 41.0                               | See Ex. B                       |  |  |   |  |
| 3         | HLS              | Empire                   | SP 89 B                           | SP 89 B (Zia)     | 200  | 28.9                               | See Ex. B                       |  |  |   |  |
| 4         | HLS              | Empire                   | WD 79 A                           | WD 79 A           | 150  | 37.0                               | See Ex. B                       |  |  |   |  |
| 5         | HLS              | Empire                   | WD 109 A                          | WD 109 A          | 500  | 37.1                               | See Ex. B                       |  |  |   |  |
| 6a        | HLS              | Empire                   | MP 69 (from MPOG via Delta P/L)   | See Exhibit B     | 7,500  | 36.7                               | N/A                             |  |  |   |  |
| 6b        | HLS              | Empire                   | MP 69 (from MPOG via Cypress P/L) | See Exhibit B     | 7,500  | 36.8                               | N/A                             |  |  |   |  |
| 7a        | Mars             | Clovelly                 | GC 158 A                          | GC 158 A          | 3,800  | 33.0                               | 1.65                            |  |  |   |  |
| 7b        | Poseidon         | Houma                    | GC 158 A                          | GC 158 A          | 3,800  | 33.0                               | 1.65                            |  |  |   |  |
| 8a        | Bonito           | St. James                | GB 783 A (Auger Pipeline)         | GB 783 A          | 700  | 40.1                               | 0.77                            |  |  |   |  |
| 8a        | Bonito           | St. James                | GB 783 A (Bonito Pipeline)        | GB 783 A          | 700  | 40.1                               | 0.77                            |  |  |   |  |
| 8b        | El               | St. James                | GB 783 A                          | GB 783 A          | 700  | 40.1                               | 0.77                            |  |  |   |  |
| 9a        | Bonito           | St. James                | GB 426 A (Auger Pipeline)         | GB 426 A          | 4,400  | 32.4                               | 1.27                            |  |  |   |  |
| 9a        | Bonito           | St. James                | GB 426 A (Bonito Pipeline)        | GB 426 A          | 4,400  | 32.4                               | 1.27                            |  |  |   |  |
| 9b        | El               | St. James                | GB 426 A                          | GB 426 A          | 4,400  | 32.4                               | 1.27                            |  |  |   |  |
| 10a       | Bonito           | St. James                | SM 205 ssti (Auger Pipeline)      | El 397 A          | 250  | 36.3                               | 0.69                            |  |  |   |  |
| 10a       | Bonito           | St. James                | SM 205 ssti (Bonito Pipeline)     | El 397 A          | 250  | 36.3                               | 0.69                            |  |  |   |  |
| 10b       | El               | St. James                | SM 205 ssti                       | El 397 A          | 250  | 36.3                               | 0.69                            |  |  |   |  |
| 11        | El               | St. James                | VR 386 B                          | VR 386 B          | 200  | 30.3                               | 1.04                            |  |  |   |  |
| 12a       | El               | St. James                | EC 346 A                          | EC 346 A          | 400  | 30.6                               | 1.11                            |  |  |   |  |
| 12b       | El               | St. James                | EC 346 A (Non-Incentive Rate)     | EC 346 A          | 150  | 30.6                               | 1.11                            |  |  |   |  |
| 13        | El               | St. James                | El 327 ssti                       | El 325 A          | 250  | 36.7                               | 1.01                            |  |  |   |  |
| 14        | Mars             | Clovelly                 | MC 809 A                          | MC 809 A          | 13,000   | 30.5                               | 2.08                            |  |  |   |  |
| 15        | TXG              | Texas City               | Segment 1 (GA 256 ssti)           | GA 209 B          | 420  | 31.8                               | 0.10                            |  |  |   |  |
| 16        | TXG              | Texas City               | HIA 474 A                         | HIA 474 A         | 120  | 40.0                               | 0.19                            |  |  |   |  |
| 17        | TXG              | Texas City               | EB 159 A                          | EB 159 A          | 110  | 40.8                               | 0.19                            |  |  |   |  |
| 18        | TXG              | Texas City               | EB 160 A                          | EB 160 A          | 420  | 33.0                               | 0.37                            |  |  |   |  |
| 19        | TXG              | Texas City               | HIA 563 B                         | HIA 563 B         | 120  | 33.2                               | 0.27                            |  |  |   |  |
| 20        | TXG              | Texas City               | HIA 582 C                         | HIA 582 C         | 800  | 38.8                               | 0.32                            |  |  |   |  |
| 21        | TXG              | Texas City               | IP#4/SEG III                      | HIA 376 A         | 120  | 35.9                               | 0.34                            |  |  |   |  |
| 22        | TXG              | Texas City               | HIA 573 B                         | HIA 573 B         | 170  | 34.4                               | 0.40                            |  |  |   |  |
| 23        | TXG              | Texas City               | HIA 595 C                         | HIA 595 C         | 310  | 32.3                               | 0.61                            |  |  |   |  |
| 24        | TXG              | Texas City               | GB 189 A                          | WC 661 A          | 250  | 33.0                               | 0.65                            |  |  |   |  |

| Offer Pkg | Royalty Oil Type | Market Center | Custody Transfer Point | Volume Metered At          | Custody Transfer Point Royalty Volume (bbls/day) | Gravity | Sulfur % | Avg. of BV/MS Postings | NYMEX Calendar Month Basis |
|-----------|------------------|---------------|------------------------|----------------------------|--|---------|----------|------------------------|----------------------------|
| 25a       | Santa Ynez       | Los Angeles   | Las Flores Canyon      | Las Flores Canyon (6 mo.)  | 6,800  | 18.5    | 5.26     |                        |                            |
| 25b       | Santa Ynez       | Los Angeles   | Las Flores Canyon      | Las Flores Canyon (12 mo.) | 6,800  | 18.5    | 5.26     |                        |                            |

Total Volume Offered 41,750

\_\_\_\_\_  
 Your Name

\_\_\_\_\_  
 Phone No.

\_\_\_\_\_  
 Company Name

\_\_\_\_\_  
 Fax No.

MMS Contacts

Donna Hogan 303-231-3148 [donna.hogan@mms.gov](mailto:donna.hogan@mms.gov)  
 Allen Vigil 303-231-3098 [allen.vigil@mms.gov](mailto:allen.vigil@mms.gov)  
 Fax No. 303-231-3846



RIK Custody Transfer Point Detail

| Offer Pkg | Royalty Oil Type | Gulf Coast Market Center | Custody Transfer Point | Volume Metered at  | MMS FMP No.   | FMP Operator  | Custody Transfer Point Royalty Volume (bbls/day) | API Gravity (Note 1)                 | Sulfur % (Note 1) | Pipelines  | Common Carrier(s)       | Buy/Sell                     |
|-----------|------------------|--------------------------|------------------------|--|---|---|--|--------------------------------------|-------------------|--|-------------------------|------------------------------|
| 1         | HLS              | Empire                   | SWP 24                 | MC 194   | 20608174850   | Shell Offshore  | 485  | 30.0                                 | N/A               | Coganc /PL into Delta P/L  | no<br>yes               | STUSCO                       |
|           |                  |                          |                        |  |   | <b>Pipeline Total</b>   | <b>485</b>                                       |                                      |                   |  |                         |                              |
| 2         | HLS              | Empire                   | SP 89 B                | SP 89 B  | 20177224600   | Marathon Oil Co.  | 125  | 41.0                                 | (Note 2)          | • South Pass-West Delta System (Marathon P/L) into Chevron P/L or;<br>• South Pass-West Delta System (Marathon P/L) into Chevron P/L                                 | yes<br>yes<br>no<br>yes | (Note 3)<br><br>Multiple Co. |
| 3         | HLS              | Empire                   | SP 89 B                | SP 89 B (Zia)  | 20177224600   | Marathon Oil Co.<br>(Devon Energy for Zia)  | 200  | 28.9                                 | (Note 2)          | • South Pass-West Delta System (Marathon P/L) into Chevron P/L or;<br>• South Pass-West Delta System (Marathon P/L) into Chevron P/L                                 | yes<br>yes<br>no<br>yes | (Note 3)<br><br>Multiple Co. |
| 4         | HLS              | Empire                   | WD 79 A                | WD 79 A  | 20177194600   | SPN Resources   | 150  | 37.0                                 | (Note 2)          | • South Pass-West Delta System (Marathon P/L) into Chevron P/L or;<br>• South Pass-West Delta System (Marathon P/L) into Chevron P/L                                 | yes<br>yes<br>no<br>yes | (Note 3)<br><br>Multiple Co. |
| 5         | HLS              | Empire                   | WD 109 A               | WD 109 A   | 20177194602   | Chevron Corp.   | 500  | 37.1                                 | (Note 2)          | Chevron P/L  | yes                     |                              |
|           |                  |                          |                        |  |   | <b>Pipeline Total</b>   | <b>975</b>                                       |                                      |                   |  |                         |                              |
| 6         | HLS              | Empire                   | MP 69 (from MPOG)      | VK 826 A<br>VK 915 A<br>MP 281 A<br>VK 823 A<br>MP 225 A | 20608165111<br>20608165114<br>2017724511G<br>20608165115<br>2017724511C | Kerr-McGee<br>BP Expl. and Prod.<br>Dominion E & P<br>Total E & P<br>Maritech Resources | 7,500  | 36.7<br>36.8<br>(Note 5)<br>(Note 6) | N/A               | Delta P/L or Cypress P/L (Note 4)  | yes                     |                              |
|           |                  |                          |                        |  |   | <b>Pipeline Total</b>   | <b>7,500</b>                                     |                                      |                   |  |                         |                              |
| 7a        | Mars or          | Clovelly                 | GC 158 A               | GC 158 A   | 20608113652   | Shell Offshore  | 3,800  | 33.0                                 | 1.65              | • Brutus P/L into Amberjack P/L into Mars Oil P/L or;<br>• Brutus P/L into SS 301 to SS 332 into Poseidon P/L; Delivery at Houma                                     | yes<br>yes<br>no        |                              |
| 7b        | Poseidon         | Houma                    |                        |  |   |   |  |                                      |                   |  |                         | Poseidon                     |
|           |                  |                          |                        |  |   | <b>Pipeline Total</b>   | <b>3,800</b>                                     |                                      |                   |  |                         |                              |
| 8a        | Bonito or        | St. James                | GB 783 A               | GB 783 A   | 20608072603   | ConocoPhillips  | 700  | 40.1                                 | 0.77              | • Auger P/L into Ship Shoal P/L or;<br>• Auger P/L into Bonito P/L into Ship Shoal P/L or;<br>• Auger P/L into Eugene Island P/L into Shell's South Louisiana System | yes<br>yes<br>yes       |                              |
| 8b        | El               | St. James                |                        |  |   |   |  |                                      |                   |  |                         |                              |
|           |                  |                          |                        |  |   | <b>Pipeline Total</b>   | <b>700</b>                                       |                                      |                   |  |                         |                              |
| 9a        | Bonito or        | St. James                | GB 426 A               | GB 426 A   | 20608072600   | Shell Offshore  | 4,400  | 32.4                                 | 1.27              | • Auger P/L into Ship Shoal P/L or;<br>• Auger P/L into Bonito P/L into Ship Shoal P/L or;<br>• Auger P/L into Eugene Island P/L into Shell's South Louisiana System | yes<br>yes<br>yes       |                              |
| 9b        | El               | St. James                |                        |  |   |   |  |                                      |                   |  |                         |                              |

RIK Custody Transfer Point Detail

| Offer Pkg | Royalty Oil Type | Gulf Coast Market Center | Custody Transfer Point  | Volume Metered at | MMS FMP No. | FMP Operator         | Custody Transfer Point Royalty Volume (bbls/day) | API Gravity (Note 1) | Sulfur % (Note 1) | Pipelines  | Common Carrier(s) | Buy/Sell |
|-----------|------------------|--------------------------|---|-------------------|-------------|----------------------|--|----------------------|-------------------|--|-------------------|----------|
| 10a       | Bonito or        | St. James                | SM 205 ssti   | EI 397 A          | 2017710260P | W & T Offshore       | 250  | 36.3                 | 0.69              | • Auger P/L into Ship Shoal P/L or;                                    | yes               |          |
|           |                  |                          |   |                   |             |                      | (Note 6)   |                      |                   | • Auger P/L into Bonito P/L into Ship Shoal P/L or;                    | yes               |          |
| 10b       | EI               | St. James                |   |                   |             |                      |  |                      |                   | • Auger P/L into Eugene Island P/L into Shell's South Louisiana System | yes               |          |
|           |                  |                          |   |                   |             |                      |  |                      |                   |  |                   |          |
|           |                  |                          |   |                   |             | Pipeline Total       | 4,650  |                      |                   |  |                   |          |
| 11        | EI               | St. James                | VR 386 B  | VR 386 B          | 20177062954 | Marathon Oil Co.     | 200  | 30.3                 | 1.04              | Marathon P/L into  | yes               | (Note 3) |
|           |                  |                          |   |                   |             |                      |  |                      |                   | Eugene Island P/L (Marathon capacity) into                             | yes               |          |
|           |                  |                          |   |                   |             |                      |  |                      |                   | Shell's South Louisiana System   | yes               |          |
|           |                  |                          |   |                   |             |                      |  |                      |                   |  |                   |          |
| 12a       | EI               | St. James                | EC 346 A  | EC 346 A          | 20177042950 | Remington O&G        | 400  | 30.6                 | 1.11              | Marathon P/L into  | yes               | (Note 3) |
|           |                  |                          |   |                   |             |                      |  |                      |                   | Eugene Island P/L (Marathon capacity) into                             | yes               |          |
|           |                  |                          |   |                   |             |                      |  |                      |                   | Shell's South Louisiana System   | yes               |          |
|           |                  |                          |   |                   |             |                      |  |                      |                   |  |                   |          |
| 12b       | EI               | St. James                | EC 346 A (Non-Incentive Rate)<br>(production from EC 345/360) | EC 346 A          | 20177042950 | Remington O&G        | 150  | 30.6                 | 1.11              | Marathon P/L into  | yes               |          |
|           |                  |                          |   |                   |             |                      |  |                      |                   | Eugene Island P/L (Marathon capacity) into                             | yes               |          |
|           |                  |                          |   |                   |             |                      |  |                      |                   | Shell's South Louisiana System   | yes               |          |
|           |                  |                          |   |                   |             |                      |  |                      |                   |  |                   |          |
| 13        | EI               | St. James                | EI 327 ssti   | EI 325 A          | 20177102952 | Forest Oil Corp.     | 250  | 36.7                 | 1.01              | Marathon P/L into  | yes               |          |
|           |                  |                          |   |                   |             |                      |  |                      |                   | Eugene Island P/L (Marathon capacity) into                             | yes               |          |
|           |                  |                          |   |                   |             |                      |  |                      |                   | Shell's South Louisiana System   | yes               |          |
|           |                  |                          |   |                   |             |                      |  |                      |                   |  |                   |          |
|           |                  |                          |   |                   |             | Pipeline Total       | 1,000  |                      |                   |  |                   |          |
| 14        | Mars             | Clovelly                 | MC 809 A  | MC 809 A          | 20608173651 | Shell Offshore       | 13,000   | 30.5                 | 2.08              | Ursa P/L into Mars Oil P/L   | yes               |          |
|           |                  |                          |   |                   |             |                      |  |                      |                   |  |                   |          |
|           |                  |                          |   |                   |             | Pipeline Total       | 13,000   |                      |                   |  |                   |          |
|           |                  |                          |   |                   |             |                      |  |                      |                   |  |                   |          |
| 15        | TXG              | Texas City               | Segment I (GA 256 ssti)                                       | GA 209 B          | 20427060150 | ExxonMobil           | 420  | 31.8                 | 0.10              | High Island Pipeline System  | yes               |          |
|           |                  |                          |   |                   |             |                      |  |                      |                   |  |                   |          |
| 16        | TXG              | Texas City               | HIA 474 A   | HIA 474 A         | 20427090153 | Newfield Exploration | 120  | 40.0                 | 0.19              | High Island Pipeline System  | yes               |          |
|           |                  |                          |   |                   |             |                      |  |                      |                   |  |                   |          |
| 17        | TXG              | Texas City               | EB 159 A  | EB 159 A          | 20608040150 | Chevron Corp.        | 110  | 40.8                 | 0.19              | High Island Pipeline System  | yes               |          |
|           |                  |                          |   |                   |             |                      |  |                      |                   |  |                   |          |
| 18        | TXG              | Texas City               | EB 160 A  | EB 160 A          | 20608040151 | Chevron Corp.        | 420  | 33.0                 | 0.37              | High Island Pipeline System  | yes               |          |
|           |                  |                          |   |                   |             |                      | (Note 6)   |                      |                   |  |                   |          |
|           |                  |                          |   |                   |             |                      |  |                      |                   |  |                   |          |
| 19        | TXG              | Texas City               | HIA 563 B   | HIA 563 B         | 20427090158 | Chevron Corp.        | 120  | 33.2                 | 0.27              | High Island Pipeline System  | yes               |          |
|           |                  |                          |   |                   |             |                      |  |                      |                   |  |                   |          |
| 20        | TXG              | Texas City               | HIA 582 C   | HIA 582 C         | 2042709015E | Chevron Corp.        | 800  | 38.8                 | 0.32              | High Island Pipeline System  | yes               |          |
|           |                  |                          |   |                   |             |                      |  |                      |                   |  |                   |          |
| 21        | TXG              | Texas City               | IP#4/SEG III (HIA 546 ssti)                                   | HIA 376 A         | 20427110152 | Apache Corp.         | 120  | 35.9                 | 0.34              | High Island Pipeline System  | yes               |          |
|           |                  |                          |   |                   |             |                      |  |                      |                   |  |                   |          |
| 22        | TXG              | Texas City               | HIA 573 B   | HIA 573 B         | 2042709015B | Apache Corp.         | 170  | 34.4                 | 0.40              | High Island Pipeline System  | yes               |          |
|           |                  |                          |   |                   |             |                      |  |                      |                   |  |                   |          |
| 23        | TXG              | Texas City               | HIA 595 C   | HIA 595 C         | 2042709015C | Apache Corp.         | 310  | 32.3                 | 0.61              | High Island Pipeline System  | yes               |          |

| Offer Pkg | Royalty Oil Type | Gulf Coast Market Center | Custody Transfer Point | Volume Metered at | MMS FMP No. | FMP Operator          | Custody Transfer Point Royalty Volume (bbls/day) | API Gravity (Note 1) | Sulfur % (Note 1) | Pipelines                   | Common Carrier(s) | Buy/Sell |
|-----------|------------------|--------------------------|------------------------|-------------------|-------------|-----------------------|--|----------------------|-------------------|-----------------------------|-------------------|----------|
| 24        | TXG              | Texas City               | GB 189 A               | WC 661 A          | 20177020150 | Tarpon Offshore       | 250  | 33.0                 | 0.65              | High Island Pipeline System | yes               |          |
|           |                  |                          |                        |                   |             | <b>Pipeline Total</b> | <b>2,840</b>                                     |                      |                   |                             |                   |          |
| 25        | Santa Ynez       | Los Angeles              | Las Flores Canyon      | Las Flores Canyon | 20040833500 | ExxonMobil            | 6,800  | 18.5                 | 5.26              | Plains All American P/L     | yes               |          |
|           |                  |                          |                        |                   |             | <b>Pipeline Total</b> | <b>6,800</b>                                     |                      |                   |                             |                   |          |
|           |                  |                          |                        |                   |             | <b>Grand Total</b>    | <b>41,750</b>                                    |                      |                   |                             |                   |          |

**Pipeline and Buy/Sell Contacts:**

- Poseidon: James Hostettler (303) 339-0381
- STUSCO: Brett Jones (713-230-1944)

- FMP: Facility Measurement Point
- N/A: Not Applicable

Note 1: Gravity and Sulfur contents are not warranted and are measured at the FMP unless otherwise noted.

Note 2: The crude may require treatment/blending to lower the sulfur content. If so, offeror would be charged a buy/sell rate from the Plains Terminal. This charge should not be included in the offer as it will be reimbursed to the buyer by MMS.

Note 3: Reserve Commitment Program for Marathon's tariff, see Exhibit C.

Note 4: Offers should be given for flow down both the Cypress and Delta Pipelines. At the time of issuance of this IFO, flow from MPOG at MP 69 was approximately 51% down the Cypress Pipeline and 49% down the Delta Pipeline.

Note 5: The first gravity listed is the average commingled MPOG gravity entering Delta P/L for fourth quarter 2006. The second is the average commingled gravity entering Cypress P/L for fourth quarter 2006. Both are measured at MP 69.

Note 6: FMP contains a lease in Royalty Relief status whose volume will not be included in deliveries to purchaser.

Note 7: Large producing well currently down. If repairs are successful, volume will increase significantly.

**Marathon Offshore Pipeline LLC (MOPL)**  
**Incentive Rates**

**Exhibit C**

**Marathon Contacts:**  
Ted Skinner (713-296-3719)

| <b>Offer<br/>Pkg</b> | <b>Custody Transfer Point</b> | <b>Pipeline System</b> | <b>Incentive<br/>Program<br/>Rate</b> | <b>FERC<br/>Number</b> |
|----------------------|-------------------------------|------------------------|---------------------------------------|------------------------|
| 2                    | SP 89 B                       | South Pass-West Delta  | \$0.85                                | 3                      |
|                      |                               |                        |                                       |                        |
| 3                    | SP 89 B (Zia)                 | South Pass-West Delta  | \$0.45                                | 3                      |
|                      |                               |                        |                                       |                        |
| 4                    | WD 79 A                       | South Pass-West Delta  | \$0.45                                | 5                      |
|                      |                               |                        |                                       |                        |
| 11                   | VR 386 B                      | Eugene Island          | \$1.27                                | 10                     |
|                      |                               |                        |                                       |                        |
| 12a                  | EC 346 A                      | Eugene Island          | * \$1.27                              | 10                     |

**Note: Line loss based on actuals.**

\* Rate is only from EC 346 production. Production from EC 345/360 will be at non-incentive rate.